ELECTRONIC SCANNING AND THE ITEM PRICING CONTROVERSY

THE REPORT OF THE SCANNER TASK FORCE

Respectfully submitted to

The Honourable Peter Hyndman

Minister of Consumer and Corporate Affairs

Government of British Columbia

January 1982

Prepared on behalf of the
Task Force by Stanley J.
Shapiro, Task Force Chairman
and Professor of Marketing,
Simon Fraser University

Constituent Task Force
Organizations

Consumers Association of Canada,
B.C. Branch
Canada Safeway Ltd.
Council of Senior Citizens
Retail Clerks Union
Super Valu/Kelly Douglas & Co. Ltd.
Woodward's

SIMON FRASER UNIVERSITY, BURNABY, BC CANADA V5A 1S6
Department of Business Administration; 291-3708

January 14, 1982

The Honorable Peter S. Hyndman
Minister of Consumer and Corporate Affairs
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Mr. Hyndman,

The Scanner Task Force you established in May of 1981 has completed its deliberations and now respectfully submits the attached report.

The Task Force considers the following to be among its more noteworthy achievements:

(1) The relevant public policy concern has been redefined not as the use of scanners per se but rather as the possible removal of item pricing. Given the many real benefits associated with the use of scanners, none of the organizations represented on the Task Force wished to prohibit or even to restrict the introduction of "prices-on" scanning. However, Task Force opinion was somewhat divided on such issues as how upward price adjustments should affect already shelved merchandise and the most appropriate method of dealing with any detected discrepancies between scanner and posted or item prices.

(2) The Scanner Task Force also believes that item price removal at Liquor Distribution Branch outlets should not--in any way, shape or manner--be considered a separate or special case. More specifically, the Task Force has unanimously agreed that item prices could not stay off at Liquor Distribution Branch outlets if legislation mandating item pricing at food outlets comes into effect.

(3) Although the Task Force remains divided as to the desirability of legislation mandating item pricing, it has concluded that such legislation must either apply "across the board" at all computerized checkout facilities with a "built in" pricing capability or not at all. Exceptions could not logically be made on the basis of any such factor as store size, type of retail outlet, number of items carried, whether merchandise was shelved or remained in cartons, etc. However, opinions differ as to whether any useful distinction regarding item pricing could be made between outlet with scanners

in place or on order when the current moratorium was introduced and any post moratorium installations.

The Scanner Task Force has discussed the "prices-on or prices-off" controversy at great length without being able to reach agreement on this contentious issue. However, five different public policy options have been identified and the attitudes of each Task Force constituency regarding these alternate courses of action have been determined. The Consumers Association of Canada, the Retail Clerks Union and the Council of Senior Citizens are in favor either of legislation mandating item pricing or of voluntary industry action that would have the same effect. The three food chains represented on the Task Force remain committed to the removal of all legislative and political barriers to the introduction of "prices-off" scanning. The reasons why each side believes its position is the one most in the public and the consumer interest are discussed at some length in our report.

This Task Force sincerely regrets its inability to reach agreement on the item pricing controversy. However, we have explored to no avail all possible areas of compromise. That we are not alone in our failure is a matter of fact but no real consolation. The "prices-on or prices-off" issue has been debated at length in a number of different jurisdictions without any concensus being reached. You, your associates at that Ministry and your colleagues in the Provincial Government are the ones who must choose among the various public policy options our Task Force has identified. Although all the organizations represented on the Scanner Task Force are prepared to assist in any subsequent deliberations, the eventual decision is now in your hands.

Sincerely,

Stanley J. Shapiro

Stanley J. Shapiro
Chairman, on behalf of
the Scanner Task Force

SJS/bf
Attachments

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On May 4, 1981, the Minister of Consumer and Corporate Affairs announced the introduction of a voluntary twelve month moratorium on the further introduction of electronic scanners in British Columbia supermarkets. This moratorium was accompanied by the appointment of a task force operating independent of government and charged with seeking out joint solutions to issues and concerns associated with electronic scanning and, more specifically, with item pricing. The Minister indicated that this "Scanner Task Force" would also review Liquor Distribution Branch item pricing policies. However, the announced moratorium on new electronic check-out installations would not apply to LDB outlets.

Representatives of the following six affected constituencies agreed to serve on the Scanner Task Force: the Consumers Association of Canada, the Retail Clerks Union, the Council of Senior Citizens, Canada Safeway Limited, Super Valu and its associated wholesaler Kelly Douglas and Woodward's. The first three organizations had previously expressed their concern to the Minister about various aspects of electronic scanning. The three food chains were the only firms in British Columbia then operating large "full service" supermarkets at which electronic scanning had been introduced and item prices had been removed. Dr. Stanley J. Shapiro, Professor of Marketing at Simon Fraser University, was appointed as the independent Chairman of the Task Force.

The Scanner Task Force met seven times over an eight month period. In addition, a great deal of written material describing scanner related issues in other jurisdictions was carefully examined. Indeed, the existence

of this extensive literature greatly simplified the Task Force's data collection efforts. One especially useful source document prepared by Dr. Mel Moyer of York University for another purpose has been reproduced in part as Appendix B of this report.

It soon became clear that there was nothing particularly unique about the arguments being advanced either by those supporting or those opposing item price removal in British Columbia. "Prices-on or prices-off" is currently a public policy concern in Quebec, Ontario, Saskatchewan and some United States jurisdictions. Wherever such a controversy exists, the same arguments pro and con are made by those most directly involved. However, it must also be noted that in many other jurisdictions, Alberta and Washington State among them, electronic scanners have been introduced and item prices have been removed without either action becoming a subject of real controversy.

The Scanner Task Force has concluded its deliberations and now respectfully submits its report. That report is in six sections and deals, in turn, with the following topics:

- Task Force Terms of Reference and Methods of Operation
- Possible Public Policy Concerns Associated with Electronic Scanning
- Task Force Views Regarding Future Technological Developments
- Price Marking and the Liquor Distribution Branch
- "Prices-On or Prices-Off"--Possible Public Policy Options
- Unresolved Issues and Areas of Task Force Agreement

In addition, the first Appendix contains supplementary statements from the various Task Force constituencies regarding the previously identified

item pricing options. The second Appendix contains the aforementioned paper by Dr. Moyer. Legislation regarding item pricing recently passed by the State of California is to be found in the third and final Appendix.

Its membership very much regrets that the Scanner Task Force has been unable to resolve all outstanding areas of controversy and concern. However, considerable progress has been made in many areas. Remaining areas of disagreement have also been presented in a manner that should facilitate both informed public awareness and decisive governmental action.

I. Terms of Reference and Method of Operation

The following "terms of reference" governed the efforts of the Scanner Task Force:

1. To identify the concerns arising from the introduction of scanners in B.C. supermarkets, and to attempt to find joint solutions to these concerns.

2. To take a "forward look" and identify other types of technological check-out systems which are or may be considered for use in B.C. supermarkets, and to identify the concerns that may arise in respect of these.

3. To examine the current price display policies and practices of the Liquor Distribution Branch.

4. To provide policy recommendations to the B.C. Government respecting items 1, 2 and 3 above.

These terms of reference had originally been suggested by the Minister of Consumer and Corporate Affairs with the understanding that they could be modified as the Scanner Task Force saw fit. Our decision not to make any such modification reflected a desire on the part of the Task Force to be of maximum assistance to the Minister.

The following were the major "ground rules" established by the Task Force:

a) No public hearings would be held. Such hearings, it was generally believed, would be both time consuming and very costly without adding anything substantial to the body of information already available. However, both Liquor Distribution Branch management and spokesmen for the relevant component of the Government Employees Union were given and availed themselves of the opportunity to present their views on the LDB's new check-out and item pricing policies. In addition, the Chairman also spoke with representatives of IGA, Overwaitea and Kwik-Save to determine the position of these organizations regarding electronic scanners and "prices-off." IBM and MTS executives also

presented the Scanner Task Force with most useful briefings on the technical dimensions of electronic scanning and, more particularly, on exactly how their own equipment operated.

b) The Scanner Task Force would not commission any survey of consumer opinions regarding electronic scanning. We did not expect the results of such a survey to be appreciably different from what had been learned elsewhere. Also, we doubted that any such survey would have clear-cut action implications. [Surveys might have been justified if the Task Force could have agreed in advance as to the policy options associated with different answer patterns. For example, would all concerned agree to keep "prices-on" if at least 60 percent of all those surveyed favoured such action and if a minimum of 50 percent were prepared to pay an extra 50 to 60 cents per 100 dollars worth of groceries purchased to cover the costs involved? Conversely, what action would the Task Force endorse if a majority of those favouring "prices-on" admitted "really good" shelf markings and detailed cash register receipts were a "reasonable" substitute? Unfortunately, advance agreement on the policy implications of alternate survey answer patterns did not seem achievable.]

c) The Task Force would operate at "arms length" from the Provincial Government. No observers from the Department of Consumer and Corporate Affairs would attend our meetings and we would not rely upon that Department for either research or secretarial services. However, the Chairman did keep the Assistant Deputy Minister of Consumer Affairs informed both as to the progress being made by the Task Force and the problems confronting it. The Opposition Critic for Consumer and Corporate Affairs also received one briefing on the same issues.

II. Possible Public Policy Concerns Associated with Electronic Scanning

The initial term of reference required us first to identify and then to attempt to find joint solutions to concerns arising from the introduction of scanners. The Task Force has identified four such concerns of varying degrees of importance. Each of the four will be briefly described below along with the opinions of Task Force members regarding that concern. However, detailed discussion of the public policy options associated with the most contentious issue, "prices-on or prices-off," will be deferred until a later section of this report.

1. The electronic scanner as mysterious "black box"

Some customers undoubtedly consider electronic scanning a strange, "far out" and even, at least at first, a somewhat confusing application of computer technology. Since the new, the strange and the unfamiliar has always been a cause of concern, such black box fears regarding electronic scanning should come as no surprise. The Scanner Task Force does not believe there are, at this time, any significant problems associated with the "new and different" dimensions of electronic scanning. However, we do consider it desirable that retailers redouble their efforts to provide customers with non-technical discussions and illustrations of how scanners work. Such sustained efforts at demystification coupled with increased customer familiarity with scanners should eventually overcome "black box" concerns.

2. The electronic scanner as error prone machine

A number of errors associated with the introduction of electronic scanning and the use of scanners has been called to the attention of the Task Force. The difficulties include such factors as breakdowns of the

system, improper product identification and the like. Obviously, every effort should be made both to avoid such difficulties and to correct them as soon as they occur. Nevertheless, human error is a fact of life whether one considers electronic scanning or the more conventional check-out system now still prevalent. The conventional method is at least as prone to error as electronic scanning and quite possibly more so.

Only one aspect of possible scanner error or malfunction raises a potential public policy concern. What if consumers correctly detect a discrepancy between the scanner and either a shelf or an item price? Should they be entitled to some special form of compensation such as a free good or is receiving the lower of the two prices all that is appropriate? A case can be made for either option and Task Force members differ in their opinions as to what is the most appropriate course of action. However, the Task Force as a group believes the issue is not one which by itself calls for either legislative or regulatory action.

3. The electronic scanner as instantaneous price adjuster

There are two reasons why this dimension of scanning has possible public policy implications. Prices could be changed at will, some would argue, at any time and without any guarantee shelf prices are being concurrently adjusted at every outlet. Also, it has been argued that supermarkets unfairly benefit when price adjustments reflecting higher supplier costs are immediately passed on to consumers even though many items still on the shelf were purchased at a lower price.

How frequently and when should scanner prices be adjusted? Should items already on the shelf be sold at the old price? What if either the

shelf or the item price is not immediately adjusted in line with the new scanner price? Does the fact that scanner prices are adjusted downward--as for weekend specials--as well as upward have any bearing?

All British Columbia supermarket chains adjust scanner prices upward only when stores are closed. However, they differ in their policies as regards the price of items already shelved. Should efforts be made in the near future to formulate a scanner code of conduct to be followed by all retailing establishments, "the already shelved merchandise issue" will obviously become a major area of concern. The most appropriate handling of any detected price discrepancy between shelf or item and scanner pricing--another public policy concern we have previously identified--would also be a code of conduct issue to be resolved. However, the Task Force does not believe that legislation (or regulation) is called for in either area. Legislation regarding such matters is rejected by some Task Force members as inefficient, inappropriate and unjustified. Other Task Force members believe that the "old stock" and "detected discrepancy" issues would disappear if the continuation of item pricing was assured either through legislation or by voluntary industry action.

4. The electronic scanner as a secondary issue compared to item pricing

Though consumer advocates have expressed some concern about faulty scanner operation and certain procedures surrounding price increases, our meetings suggest that electronic scanning as such is not a major public policy issue. The benefits associated with scanning such as faster check-out counters and more detailed cash register slips are both recognized and appreciated. The overwhelming issue in British Columbia is whether the

introduction of electronic scanning and other check-out systems with a built-in pricing capability should be accompanied by an end to the practice of marking the price on items that have traditionally carried such prices. Consumer and corporate representatives have argued opposite sides of this issue in British Columbia just as they have done so in many other major jurisdictions in North America.

The issue is a complex one in large part because, as Professor Moyer has indicated in Appendix B, both parties concerned can advance a number of strong arguments in support of their particular position. The following are but some of the arguments that have been so advanced.

The Case for Prices-On	The Case for Prices-Off
1. Consumer surveys reportedly demonstrate an overwhelming preference for "prices-on."	1. That so many people shop in "prices-off" stores is proof of consumer acceptance.
2. Consumers will not benefit in any appreciable way from the supermarket industry's scanner-related cost savings.	2. Item price removal will reduce costs by about 1/2 to 3/5 of one percent. The resulting savings will be passed on to consumers either in the form of lower prices or improved service.
3. Removal of item prices helps to destroy price consciousness and makes comparisons between brands and over time impossible.	3. The combination of accurate unit shelf prices and detailed cash register receipts will contribute far more than item prices to intelligent shopping.
4. Legislation mandating item pricing is the only guarantee against scanner price abuses at some future time.	4. Legislation prohibiting any technological change and its associated cost savings is, always and inevitably, against the public interest.
5. Removal of item prices creates real difficulty for the elderly, handicapped and new Canadians.	5. No proof exists that any group of consumers has been disadvantaged when item prices have been removed as part of an intelligently introduced scanner system.

The "prices-on or prices-off" controversy is a complex multi-faceted one with numerous economic dimensions. Supermarket costs of operation, the financial practicality of scanner equipment and food price levels are all affected. The same issue has moral and philosophical overtones. Some proponents of item pricing argue with near religious fervor that a "prices-off" system which will reduce consumer price awareness is socially, ethically and morally unacceptable. Those on the other side argue with equal fervor that any intervention in the market place requiring item pricing would be an inappropriate legal or bureaucratic restriction on the right to manage in a way that benefits both the corporation and its customers. Above all else, the ultimate decision must be a political one. The Provincial Government must decide whether the public interest is best served by its intervening in favour of item pricing or by a "hands off" attitude.

Two additional points also deserve to be made at this time. First, although an investment in scanners could still make economic sense when prices stay on, the pay out period--or time necessary to recoup that investment--is appreciably lengthened. Also, many of the additional cost savings fall into the category of soft benefits which are more difficult to realize. The second key consideration concerns the adequacy of any substitute for price marking. Supporters of the "prices-on" position do not consider labels and itemized receipts--either individually or in tandem--to be an acceptable substitute for item pricing and the price consciousness associated with such pricing. Proponents of the "prices-off" position, on the other hand, maintain that the combination of accurate, easy to read shelf labels and itemized cash register receipts very definitely provides consumer benefits that make item pricing an expensive and irrelevant practice.

III. Future Technological Developments--The Forward Look That Wasn't Taken

The second term of reference was designed to focus our attention not only on electronic scanners but also on other types of new technological check-out systems that might eventually pose their own problems. Some of these new systems would merely be technologically more advanced substitutes for the type of scanning systems now in place. However, new electronic developments such as Telidon raise an even broader range of issues associated with consumers at home using a two-way television set or a computer terminal to order a wide range of products. Some futurists have estimated that within ten years up to 20 percent of all retailing might be electronically based or dependent.

A far ranging study of the social, economic and consumer implications of new technological developments is already underway in the United Kingdom and other such studies are likely to be conducted. The above notwithstanding, this Scanner Task Force failed to come to grips with the problem of emerging technologies and entirely new forms of retailing. We are not apologizing for this fact but rather merely indicating what proved to be the case. Both our resources and our time were limited. More importantly, the "prices-on or prices-off" controversy completely dominated our discussions. It appeared difficult for all concerned to worry about prospective problems before a definitive solution to a long standing and very contentious issue had been reached.

A case could well be made for a broadly based advisory committee to the Minister which would explore the myriad of consumer related issues

associated with new electronic technologies. At the very least, the Provincial Department of Consumer and Corporate Affairs should be monitoring these new developments as they unfold. It is not new technologies, however, but rather "prices-on or prices-off" which is the current problem requiring resolution in the very near future. Consequently, the Scanner Task Force devoted most of its attention to that problem.

IV. Price Marking and the Liquor Distribution Branch

As was requested by the Minister, the Task Force explored the "current price display practices and policies of the Liquor Distribution Branch." Considerable assistance in our deliberations was received both from Liquor Distribution Branch management and from the relevant component of the B.C. Government Employees Union. Management representatives stressed the cost savings and increased efficiency of the new LDB check-out system. Union spokesmen expressed great concern over the loss of price awareness not only by customers but also by employees. The central issue in this case, of course, is the phased-in introduction not of a UPC type scanner system but rather the use of a "prices-off" product coding system. As the cash register operator punches the relevant product code, the associated price is automatically registered. Shelves are marked but item prices do not appear on individual wine or liquor bottles.

Many of the issues associated with supermarket item price removal have their parallels in the Liquor Distribution Branch. However, at least three noteworthy differences exist.

1. The number of items purchased at any one time is far fewer.

2. The products being purchased are not, for most individuals at least, necessities to the same extent as is food.

3. The Liquor Distribution Branch distributes on a quarterly basis a Product Catalogue indicating what the consumer will be charged for all the items stocked by the Branch. (Temporary price lists reporting on new listings and price revisions are posted monthly at each government liquor store.)

These three unique features notwithstanding, the Task Force concluded that the Liquor Distribution Branch was in most respects just another form

of food and beverage retailer. Consequently, it was agreed by all six constituencies that any Provincial action to restore item pricing must apply as well to the Province's own Liquor Distribution Branch outlets. More specifically, the Scanner Task Force maintains that the Government of British Columbia could not logically and in good conscience remove item prices at LDB outlets while at the same time mandating a "prices-on" position for food items.

V. "Prices-On or Prices-Off"--Possible Public Policy Options

The Task Force has been unable to agree on a single policy recommendation regarding the "prices-on or prices-off" controversy. Rather, it has identified four major policy options. These can usefully be labelled:

1. The Alberta or "no legislation" option
2. The Ontario or "prices-on voluntarily" option
3. The "moratorium as dividing line" option
4. The California or "legislation" option

However, the Task Force has identified two variants of the Alberta option. Consequently, five different courses of action are both briefly described in the following paragraphs and schematically presented in the accompanying exhibit. A sixth course of action, the conduct of a "definitive" consumer survey whose "conclusive" results would be binding on all concerned, was also considered. But as was suggested earlier, the Task Force reluctantly decided that the problems of designing such a study and, more importantly, of deciding in advance what answer patterns would prove conclusive made the survey approach impractical.

a) Two kinds of Alberta (no legislation) option. The Alberta option takes as its starting point the position that the public interest is best served by the removal of all legislative and political barriers to the introduction of scanners and the removal of item prices. (The arguments in support of this and other positions will not be restated since they have previously been discussed at length.) The Alberta option, however, has two variants. The first allows each retailing organization to formulate its own policies regarding such issues as the time and frequency of price

changes, the size and nature of shelf markings, the pricing of stock already on the shelves when programmed prices are changed, whether consumers who correctly call attention to a price discrepancy between shelf marking and scanner price receive the merchandise free, etc. As of the moment, competing British Columbia chains are in fact following different policies in these areas.

The second variant of the Alberta option also removes all legislative and political barriers to the introduction of scanners and a "prices-off" policy. Nevertheless, it calls for the establishment of a committee, working group or task force to formulate a code of conduct governing scanner implementation. It is recognized, of course, that establishing such a joint consumer-industry-government committee would itself pose problems. Areas of possible controversy include such issues as whether committee recommendations would be binding on all food chains or merely suggestive and how any differences of opinion on implementation procedures would be resolved. Representatives of almost all major British Columbia retailing institutions, including those which do not sell food, recently agreed on the desirability of formulating a Retailer's Code of Conduct. This new development could facilitate efforts to establish scanning rules of procedure acceptable to consumer groups and to government as well as to the retail industry.

b) <u>The Ontario option--item pricing but without legislation</u>. The Ontario option would involve all food retailers agreeing (as was done in Ontario) to maintain and/or restore item pricing. Voluntary action along this line would involve each chain continuing item pricing policies and,

when necessary, restoring item prices at certain locations where they had been removed. For example, the various Ontario food chains responded to Provincial Government urgings by each reverting to their traditional, and somewhat different, pre-scanner item pricing policies.

c) The "moratorium as dividing line for item pricing" option. This option calls for a distinction being made between those retail installations at which scanners were already in place or on confirmed order when the current moratorium was introduced and any subsequent decision to introduce scanners. Approximately thirty-five pre-moratorium installations would be allowed to keep their prices off but post-moratorium scanner installations would be possible only if prices remained on. Such a distinction is supported in part by the feeling that, given the very substantial capital costs of going scanner, the rules of the game regarding the item price removal should not be retroactively changed. The "moratorium as dividing line" option also guarantees that consumers all throughout British Columbia would continue to have easy access to full service "prices-on" supermarkets even though "prices-off" supermarkets would also exist in many areas.

The "moratorium as dividing line" option is not the first choice of any constituency represented on the Task Force. However, both the Consumers Association of Canada and the Retail Clerks Union have made it their second choice should their preferred option, legislation mandating item prices at all food outlets throughout British Columbia that have computerized checkout facilities with a built-in pricing capability, not be accepted. Industry representatives on the Scanner Task Force, however, maintain that no exceptions should be made to the "across the board" or not at all policy

stance regarding item pricing taken by the Task Force. They also question the equity, the legality and the administrative feasibility of allowing item price removal only at scanner installations already operative or on confirmed order when the moratorium was introduced. If such a policy were followed, industry representatives maintain, a large number of both chain and independently owned retail outlets would be required to operate with a permanent, "built-in" cost disadvantage.

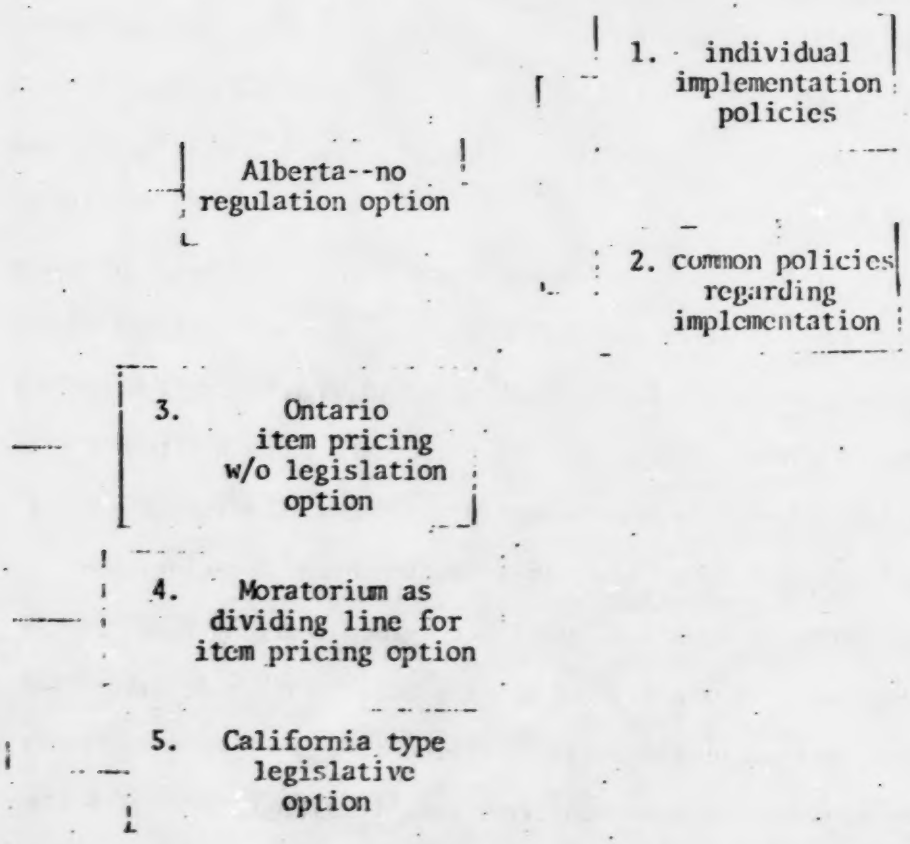
d) The California or Legislated solution. As has now become widely known, the state of California has recently passed legislation, reproduced in Appendix C to this report, mandating the restoration of item pricing. California is by far the largest of a limited number of states that have passed this type of legislation.

Legislation in British Columbia would not necessarily have to be modelled in every respect after the California legislation. But as was done in California, any new B.C. legislation would have to spell out a target percentage of marked items, indicate those categories of items specifically exempted and specify enforcement procedures. Consistent with the position taken regarding Liquor Distribution Branch pricing, the six constituencies represented on the Task Force agreed that any item pricing legislation must either apply "across the board" or not at all. Exceptions could not be made on the basis of store size, merchandising policy or the date on which scanners had first been installed.

The introduction of legislation, of course, brings with it all the costs and problems of enforcement. How such legislation could affect

the so-called box stores (Kwik Save and its competitors) and how it would apply to the relevant departments of London Drug type operations would also have to be carefully considered. (Box stores could not continue to operate as they now do if these outlets were required to conform with item pricing legislation. Their additional costs in adding prices would be much greater than those of full service outlets which already unpack and shelve merchandise.)

Five Item Pricing Policy Alternatives


1. individual implementation policies
Alberta--no regulation option
2. common policies regarding implementation
3. Ontario item pricing w/o legislation option
4. Moratorium as dividing line for item pricing option
5. California type legislative option

VI. Unresolved Issues and Areas of Task Force Agreement

The six designated constituencies or organizations represented on the Task Force were each asked to indicate which of the five aforementioned policy options was its first choice, whether it had a second or even a third choice and, finally, which options were clearly unacceptable. (The Chairman refrained from expressing an opinion as he did not represent a constituency.) In addition, each Task Force constituency has been offered the opportunity to submit a summary statement in support of its policy option position and all related matters. The statements so submitted are found in Appendix A.

As that Appendix indicates, the six constituencies represented on the Task Force have failed to agree on a single, "most appropriate" policy option. The Consumers Association of Canada and the Retail Clerks Union have come out strongly in favor of California style legislation which would mandate item pricing at all outlets selling food or, at the very least, at all post moratorium installations of electronic cash registers with a built-in pricing capability. The Council of Senior Citizens has endorsed the Ontario, or voluntary return to item pricing, option. The three food chains represented on the Task Force have proposed one form or another of the Alberta option. They are unalterably committed to the removal of all legislative and political barriers to the introduction of "prices-off" scanning. The Scanner Task Force, in short, has agreed to disagree.

Our stalemate over "prices-on or prices-off" notwithstanding, some progress has been made on other issues. More specifically, the Task Force

believes it has usefully redefined the relevant public policy concern not as the use of scanners per se but rather the removal of item pricing. Given the many real benefits associated with the use of scanners, no one on the Task Force wished to prohibit or restrict the introduction of "prices-on" scanning. This is true even though Task Force opinion was divided on such issues as the most appropriate method of pricing old stock and of dealing with detected price discrepancies.

The Scanner Task Force also agreed that item price removal at Liquor Distribution Branch outlets could not be considered--in any way, shape or manner--a separate or special case. As was indicated earlier, all six Task Force constituencies endorsed the position that item prices could not justifiably be removed by the Liquor Distribution Branch if legislation mandating item pricing by food outlets is to be introduced. Similarly, the Task Force has concluded that any such legislation must apply either "across the board" or not at all. Exceptions could not logically be made on the basis of store size, number of items carried, whether merchandise is shelved or remains in cartons, etc.

As indicated above, our focus on the "prices-on or prices-off" controversy resulted in new technological developments in retailing receiving only limited attention from the Task Force. However, we did recommend that the Department of Consumer and Corporate Affairs monitor the development of such innovations as Telidon-based retailing. Finally, the Scanner Task force believes it has gone as far as it can go in at least laying out the range of available "prices-on or prices-off" policy options.

This Task Force sincerely regrets its inability to reach agreement on the item pricing controversy. However, we have explored to no avail all possible areas of compromise agreement. That we are not alone in our failure is a matter of fact but no real consolation. The "prices-on or prices-off" issue has been debated at length by interested parties in a number of different jurisdictions without agreement being reached on the most appropriate public policy option. The Minister of Consumer and Corporate Affairs, his associates at that Ministry and his colleagues in the Provincial Cabinet must now decide on the course of action they consider most appropriate. Although all the members of the Scanner Task Force are prepared to assist in any subsequent deliberations, the eventual decision is now out of our hands.

APPENDIX A

PRICES-ON OR PRICES-OFF

Submission by Various Task Force Constituencies

Regarding The Identified Public Policy Options

CANADA SAFEWAY LIMITED

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November 24, 1981

Dr. Stanley Shapiro
Chairman, B.C. Scanner Task Force
7236 Braeside Drive
North Burnaby, B.C.
V5A 1E6

Dear Dr. Shapiro;

Please accept our apologies for the delay in sending this letter.

After much consideration and consultation with other Safeway management personnel, our company has a definite conclusion re the options available to Scanner Task Force members.

Canada Safeway Limited supports the Alberta or "No Legislation" option.

We would agree with the statement contained in the October 16 discussion paper, "The Alberta option takes as its starting point the position that the interests of all concerned are best served by the removal of all legislative and political barriers to the introduction of scanners and the removal of item prices."

We will undoubtably have further comment during the next Task Force meeting and look forward to meeting with you then.

Sincerely,
CANADA SAFEWAY LIMITED

Georgina Bullen

GEORGINA BULLEN
Public Affairs Manager

GB/klb

POSITION PAPER - CAC(BC)

THE SCANNER AND ITEM PRICING TASK FORCE ISSUES

The Consumers' Association of Canada, with approximately 23,000 members provincially and over 185,000 members nationally, is a non-profit, non-partisan association made up of volunteer workers, dedicated to representing the consumer interest.

What is the Issue?

Computerized checkout systems are fast replacing standard checkout systems and consumer groups in Canada and the United States have, for a number of years, warned government that unless legislative action is forthcoming for the protection of consumers, the buying public will suffer.

The Consumers' Association of Canada, in conjunction with other groups, including labour unions, senior citizens', church and other community groups, has been working in an effort to convince supermarket managements across Canada to retain prices on each individual product package as they introduce computerization and scanning with UPC codes.

One of the basic consumer rights is the right to be informed, and we submit that the removal of individual item pricing from products, due to the introduction of automated checkouts in the marketplace, denies consumers this right.

What are the Specific Concerns for Consumers?

- Research and studies have shown that the removal of price marking on individual items results in the loss of price consciousness amongst consumers.

- Consumers are not able to easily compare prices while making selections either in the aisle, at the checkout counter (point of sale), or later at home.

- Consumers will have no choice but to accept the <u>accuracy</u> of the computer.

- When packages have no prices, consumers fear the door will be open for price manipulation (i.e. more frequent and less visible price adjustments).

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- The price of old stock may automatically rise when centralized price adjustments are made to reflect the higher cost of acquiring new stock.

- The effects of computer errors will be compounded many times over if a central computer feeds inaccurate information to a number of stores, or over a period of time even in one store.

- Consumers feel they cannot rely on shelf pricing alone, as experience has shown that shelf pricing is often incorrect, missing or not legible.

- Consumers feel that the potential savings realized by industry will not be passed on to the consumer.

- An added fear relates to the sale of information regarding the consumers' buying habits, personal information, credit information, and the potential for abuse for this unauthorized and unprotected accessing of the consumer's personal data.

- Fear that loss of choice may occur as the computer identifies high volume items and thereby eliminates slow moving items from the shelves thus decreasing choice.

- Cashier error is still a problem as some systems rely on the cashier's memory of many hundreds of codes.

- Consumers resent being asked to price-mark individual items: this underlines the dichotomy between what would appear to be going back to the "old country store" with the "Star Wars" technology touted by the retailers and systems salesmen.

All of the above problems and more are magnified by inflation and are felt with particular intensity by senior citizens, low and fixed income consumers, the handicapped and new Canadians.

Does Industry Benefit?

In a word, yes. CAC(BC) is not unaware of the fact that some of the benefits such as improved inventory and productivity control, automatic reordering, faster customer

service at the checkouts, and lower operating costs generally (including labour), etc., etc. may accrue to the consumer: but we also recognize that the efficiencies achieved overall will realize substantial cost savings for the industry as a whole with or without the price marking element.

Is the "Task" Finished?

CAC(BC) compliments the Chairman of the Task Force for his fair and objective handling of a most controversial issue. We realize that this has not been an easy "task", given the diverse and polarized positions presented by the various members of the committee.

In light of the rapidly increasing innovations in computer technolgy and the phenomenal expansion rate of these systems, and with new techniques such as the Positalker by NCR and the Holographic by IBM, Telidon, etc., etc., we believe there is an immediate need for the B.C. government to set up a follow-up monitoring mechanism.

CAC(BC)'s Position

1. CAC(BC) must opt for mandatory legislation similar to that of California. Following the lifting of the moratorium, all stores installing any type of computerized checkout system must adhere to individual item pricing.

2. CAC(BC) believes that an individual price marking policy should apply to the B.C. Liquor Distribution Branch, regardless of whether they are distributing through their own outlet or through the private sector.

3. To ensure that there is an ongoing "monitoring mechanism", we request that the Minister put in place a monitoring body comprised of equal representation from consumer, labour, business and government under an independent chairman. This group should be responsible to the Minister but with full powers to report directly to the public.

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A Challenge to the Minister!

CAC(BC) requests the Chairman of the Task Force strongly urge the Minister of Consumer and Corporate Affairs to take the lead in all of Canada to ensure the implementation of individual item pricing.

January 13, 1982

ADDENDUM TO C.A.C. (B.C.) POSITION PAPER

Re: 1981 Quebec Survey Findings and Legislation

Over a year ago, the Quebec Government introduced legislation respecting item pricing in connection with computerized check-outs. During 1981, a study titled Effects of the Absence of Item Pricing on Grocery Products Purchasing Behavior, was commissioned for the purpose of setting up regulations.

Although the Scanner Task Force did not study these results C.A.C. (B.C.) feels that the following findings are of the utmost importance to consumers:

* Clear indications that, at the point of purchase, i.e. on Aisle, the consumer is much less aware of the prices of the product he is selecting when the item price is not indicated.

* Consumer satisfaction with the marking of prices and with the ease of identification is much lower in a prices off context than in a conventional context.

* In the absence of item pricing, the consumer is less aware of the prices of products he has bought, after completing his purchase.

* A slightly higher total time, due to greater difficulty in identifying prices, is spent in a computerized check-out store.

* Few consumers think that the shelf labelling can replace the price indicated on the product and the majority think that marking the price on each product is important.

The results of this study have been gazetted for public comment.

C.A.C. (B.C.) strongly urges the Hon Peter Hyndman, Minister of Consumer and Corporate Affairs, to take the results of this study into consideration before handing down his decision on individual item-pricing.

CAN. PAC. RLY. PIONEERS
DIS. VETS ASSN. W.A.
CAN. NAT. PENSIONERS
SENIOR CITIZENS ASSN.
OLD AGE PENSIONERS' ORG.

B.C. HYDRO SUPERANNUATED EMPLOYEES
PIONEERS OF CAN. MERCHANT SERVICES GUILD
CHILLIWACK SENIOR CITIZENS' RECREATION CENTRE
RETIRED EMPLOYEES ASSN. CAN. PAC. SERVICES V.I.
FEDERAL SUPERANNUATES VAN. BRANCH

B.C. RET. TEACHERS' ASSN.
B.C. GOVT. RET. EMPLOYEES
VANCOUVER RET. CITY FIREMEN
GOLDEN AGE CLUB
OVER 60 FELLOWSHIP (SAL. ARMY)

Federated Legislative Council

ELDER CITIZENS ASSOCIATIONS OF BRITISH COLUMBIA
VANCOUVER, B.C.

PRESIDENT

Wm.Foster,
5115 Francis St.,
Burnaby. B.C.
V6B 1T2

SECRETARY

Mrs.E.Olson,
P.O.Box 10, RR1,
Half Moon Bay, B.C.

Dec.18th.1981

Dr.Shapiro,
Scanner Task Force Chairman,

Sir,

Mr.Foster asked me to write you regarding the feelings of Senior Citizens on the use of scanners in our local stores.

It is very definite, Seniod Citizens expect price tags to be retained on individual items, and, they also want a large sized front of shelf sign with easily readable lettering and figures, such as the ones used in the liquor stores.

Wm.Foster,
per
C.Frank Way,
704-6076 Tisdall St.,
Vancouver, B.C.
V5Z 3N2

C Frank Way

RETAIL CLERKS UNION

U.F.C.W. LOCAL 1518 AFL-CIO-CLC

A - 8

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4021 KINGSWAY • BURNABY, B.C. V5H 1Y9 • TELEPHONE: 434-3101

AREA OFFICES:
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VERNON, B.C.
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PRINCE GEORGE, B.C.
P.O. Box 935
NANAIMO, B.C.

November 10, 1981.

Mr. Stanley Shapiro,
Chairman,
Scanner Task Force,
Simon Fraser University,
Burnaby Mountain,
Burnaby, B. C.

Dear Mr. Shapiro:

At our last Task Force meeting, you requested that each committee member submit a short outline of their position on the controversial matters before the committee.

Since that meeting I have had discussions with the B.C. Chapter of the C.A.C. and find that my position concurs with that of the C.A.C. Accordingly, the points presented and the position taken in the C.A.C. brief may be considered to be those of the Retail Clerks Union also.

Yours very truly,

Bryan S. Denton

Bryan S. Denton,
President.

BSD:ec

SUPER VALU NO. 140
BRITISH PACIFIC RIM SUPERMARKETS LTD.

1020 PARK ROYAL
WEST VANCOUVER, B.C. V7T 1A1
TELEPHONE (604) 926-2216

November 9th, 1981

SUMMARY STATEMENT FROM THE INDEPENDENT SUPER VALU OWNER/OPERATORS FOR THE B. C. SCANNER TASK FORCE

The full service supermarket share of market is currently being eroded, and many independent supermarkets are having a very difficult time even surviving. Box stores, produce stores, drug stores, department stores, gas bars, etc., are all selling food products.

Meanwhile the supermarkets are expected to offer full services and a complete range of products and remain competitive, while experiencing much higher operating costs, particularly labour costs. The spread in operating expenses is continuing to widen.

As independent supermarket owners, we need to utilize all the available tools, including scanning with prices off, without government interference in order that we may remain competitive and enjoy a reasonable return on our investment. We must be allowed to take advantage of any opportunity to improve efficiency as long as our customers wants and needs are satisfied.

Let our customers be the final judge. Our customers are not unhappy.

We met with consumer groups, including the CAC, prior to the introduction of scanning. Their prime concern was that old stock would be priced at the new price, a potential loss for consumers. We addressed their concer and initiated our 'Green Sticker' program. All old stock is marked with a green sticker and the old price, so the cashier is alerted to override the computer and enter the old price.

As well, we instituted our 'Guarantee' in order to build our customers confidence in the new system.

.../2

"Our Guarantee"

"We are so confident that the prices recorded on your cash register tape will be correct that if we make a mistake and overcharge you on a coded product we will give you that item FREE!"

The fact that those of us who have decided to install scanners have all enjoyed increased customer counts and increased sales is proof that our customers have accepted our prices off scanning environment.

We also recognized that there was improvements necessary in our shelf labels. We have put in larger labels and are presently looking at a new system which we hope will be even better.

Technology continues to change and improve. To impose legislation now will tie our hands and cause many retailers to shy away from these improvements for fear of further legislation.

These improvements are to customers advantage as it is our means of slowing the food cost increases over time.

We do not feel that a minority, many of which have had no 'hands on' experience with scanning, should take away this opportunity from our customers. Combined, the independent Super Valu Stores, with scanning, satisfactorily serve over 120,000 consumers on a weekly basis. We estimate another 150,000 consumers are shopping in our competitors scanning operations.

Finally, if the government insists, because of pressure from a minority, to legislate item pricing, we feel we would be put at an unfair disadvantage if all our competitors are not forced to item price as well.

These would include all retail stores:

i.e. Box stores, i.e. Kwik Save and Budget Foods
Drug Stores, i.e. London Drugs, Shoppers, etc.
Department Stores i.e. Zellers, The Bay, Woolco, etc.
Convenience Stores i.e. 7-Eleven, Macs Milk, Gas Bars, etc.

and others such as 'Your Mark It' and 'Buy Low Foods' who currently do not item price.

As well, we see no justifiable reason why the Government Liquor Stores should be exempted from any legilsation.

Respectfully submitted by:

Bob Wyllie
on behalf of the
Super Valu Independent Owner/Operators

BW*h

KELLY, DOUGLAS & COMPANY, LIMITED
P. O. BOX 2039, VANCOUVER, B. C., CANADA
V6B 3S1

November 9th, 1981

SUMMARY STATEMENT FOR SCANNER TASK FORCE

The retailer must continue to look for opportunities to reduce operating costs, because in a competitive market he cannot increase his margins.

The reason the food industry has moved towards computer assisted cash registers is to increase efficiencies to help maintain or reduce operating costs as other costs inflate, thus slowing the food cost increases for consumers.

The position taken that item pricing is synonymous with price awareness and therefore is an essential tool to marketplace decisions is misleading. In actual fact, it is the prevailing price in the marketplace that should be the major influence in purchasing. Whether in the food industry, or the car business, the price on the day of purchase is the only important consideration; previous prices are immaterial.

If industry is forced to item price in scanning environment stores, they will be guilty of featherbedding. Item pricing in the long run will simply artificially inflate the consumer cost of goods.

These points must be seriously considered before imposing any regulation or legislation on the industry.

Respectfully submitted by:

D. M. Mc Lellan,
Sr. Vice-President & Chief Operating Officer,
B. C. Division - Kelly, Douglas & Company, Limited

DMMcL*h

Woodward's

P.O. Box 8000
Vancouver, B.C.
V6B 4E2

December 18, 1981

Dr. S. Shapiro
Chairman,
Task Force on Scanning
c/o S.F.U.
Burnaby, B.C.

Dear Dr. Shapiro;

Woodward's Stores Ltd. supports the "Alberta" option regarding the prices off/on issue. We firmly believe that the open market is where this type of issue is best resolved and not by legislative action. The reaction of our customers at the two Woodward's scanning stores has been excellant. We service over 150,000 shopping trips per month in these two locations and we have received less than 12 letters on all aspects of the scanning checkout (most are dealing with issues other than item pricing). Woodward's has a long history of emphasizing service to the customers of B.C. and we would not take this position if we did not feel confident in our interpretation of our customer's requirements.

Any action taken to mandate "prices-on" has both direct and indirect costs that will ultimately be borne by the consumer. We cannot believe in these days of continued inflation and reduced "real" disposable incomes, that the Government would take conscious action that would prevent retailers from potentially reducing costs (or maintaining services) while also increasing government spending to monitor and enforce the regulations. Food stores have been experiencing operation costs increasing at a faster rate than sales over the past few years. To remain a viable business operation, the retailer is faced with the dilemma of increasing prices or elimination services.

Woodward's

December 18, 1981

The productivity improvement offered by the elimination of item pricing (estimated at between .5 - .6% of sales in this report) can be transferred to the consumer through maintenance and improvement of other services the customer desires (eg. parcel pick up), while minimizing price increases due to operation cost increases. Any legislative action of this type requires a control and enforcement agency (which currently does not exist) and this must be borne by all citizens through their taxes.

To make identification of individual product prices easier, Woodward's has spent considerable time and effort to enhance our shelf labels. We expect to have by Spring '82 a shelf label that clearly indentifies the product with regular price, promotional price (if applicable) and unit price. We will continue working with the special interest groups, particularly the elderly and the handicapped, to make the use of electronic checkout easy, convenient and understandable. We support the concept of price awareness among consumers and will actively assist any effort to educate consumers how to "shop smart".

Yours truly,
WOODWARD STORES (BRITISH COLUMBIA) LIMITED
Vancouver Store

A. Campeau
Divisional Manager

G.J.D. McKinstry
Company Accounts Manager

X. Appendix B

Excerpt From

THE CONTROVERSY OVER ELECTRONIC POINT-OF-SALE SYSTEMS

Mel S. Moyer

A Chapter For

MARKET PLACE CANADA: SOME CONTROVERSIAL DIMENSIONS

edited by

Stanley J. Shapiro

and

Louise Heslop

Excerpted and Modified for Presentation in this Report

by Stanley J. Shapiro

How EPOS Works

Electronic point-of-sale systems are furthest advanced in the grocery industry. These systems begin in the food supplier's plant. As it is packaged at the factory, each grocery item is affixed with a machine-readable symbol. When read and interpreted, the symbol identifies the grocery item down to the level of the individual stockkeeping unit (SKU). When an item is received at the supermarket, it is put on a price-marked shelf, but the individual package itself is not necessarily priced. The memory of an in-store mini-computer contains the current price of each SKU. As the shopper's purchases are checked out, the electronic cash register is not punched; rather, each item's universal product code (UPC) is read by an optical scanner at the checkstand, the price is looked up in the computer, and details of the item are tabulated in and printed by the electronic terminal. At the same time, the computer uses the item's code as a basis for the instantaneous updating of product movement information by SKU. This checkout process is often called "scanning."

It will be noted that scanning represents a fundamental change in the character of those activities which occur at the point of purchase within marketing channels. For the first time, the checkout activity captures not merely the prices of the merchandise that moved, but the identity of the items that were bought. Also for the first time, retailers can operate the purchase process under a real-time, computerized environment.

The Position of the Grocery Industry[1]

Leaders in the grocery industry, and notably spokesmen for larger food chains, generally regard EPOS as one of the most momentous innovations

in their field in some decades. To emphasize this point, they cite scanning as the most promising answer in view to what they see as some of the central problems of food retailing, including rising wage rates, flagging productivity, upward pressure on food prices, and narrow profits.

The importance which grocery executives attach to these "automated checkouts" stems in part from the "hard savings" which are said to result. These include the elimination of erroneous manual entries into the register; the automatic catching of illogical entries; ready identification of passers of bad checks; instant credit checks if wanted; easy recounts for questioning customers; quieter checkouts; fewer checkout stations; fewer checkout people; continuous cash counts that signal when tills need clearing; shorter training periods for new workers; better measures of the productivity of checkout personnel; automatic preparation of day-end cash reconciliations, coupon counts and bank deposit slips; improvement in the company's overall cash float; the more efficient recording of cents-off deals, varying taxes, coupon redemptions and bottle returns, and--a feature which the industry has emphasized with shoppers--the provision of more detailed cash register tapes.

A further important potential advantage, in the eyes of grocery retailers, is that scanning eliminates the necessity to put individual prices on grocery items, which is a major source of cost and error in supermarket operations.[2]

Moving back from the point of purchase, retailers see other "softer" benefits. These include the ability to know, by stockkeeping unit, the current status of stock and stock movement in the store, warehouse and

headquarters levels; the ability to be alerted as soon as inventory falls below a predetermined level on any item; the capacity to have created an automatic reorder when a failsafe point is reached; the ability to stay in stock on smaller inventories and without backroom storage; the power to turn inventories faster and to present products (including produce) which is fresher; the capacity to price more sensitively and to change price more flexibly; the ability to see more quickly and clearly the performance and profitability of supplier's lines; and, potentially, the ability to achieve a quantum jump in marketing information by tying together information as to what products were bought with information as to the characterisitics of those people who bought them.[3]

Potentially, at least, these advantages translate into a different modus operandi for both the supermarket manager and for headquarters buying and merchandising managers. EPOS systems can be quizzed for such diagnostic statistics as average sales per hour, average rings per minute, average corrections per day, and the percentage of idle time, all classified by checkstand operator. This kind of information will enable the store manager to train, schedule, and evaluate his checkout personnel more intelligently than before. Similarly, the manager can monitor the poundage of meat or produce that is lost between the receiving dock and the checkstand, thereby tightening his control over trimming, spoilage, and waste.

Armed with a computerized point-of-sale system, the store manager also has much more ability to experiment flexibly with alternative reorder points, prices, promotions, product combinations and shelf allocations.[4]

It has been part of the position of the grocery industry, in Canada as in the U.S., to favour the elimination of individual price markings in scanning stores. For this there are at least two reasons. One is that the avoidance of manual price stamping, like the avoidance of manual cash register ringing, removes a major source of human error, promotes price accuracy, and produces better quality data. Another reason has been the industry's opinion that to overlay a largely error-free electronic system with a demonstrably error-prone manual system is technologically anachronistic and administratively difficult.

Indeed, the discontinuation of item pricing has been an overriding concern. "Pricing individual items is," as one chain executive expressed it, "a costly and errorprone practice based on an archaic system of operation . . . . Its maintenance will only impede progress by annulling most of the soft benefits available through inventory control and automatic reordering, and retard the development of mass packaging, bulk delivery and roll-in manufacturer-packed displays, all of which offer significant merchandising and customer benefits."[5] Thus, from the point of view of grocery distributors, pressured to combat rising labor costs and eager to reduce price-marking errors, item pricing is redundant.

Overall, then, the grocery industry, and especially food chains, have viewed "prices-off" scanning systems very positively and optimistically.

The Position of the Consumers Association of Canada, Organized Labour, and Other Advocacy Groups[6]

While EPOS has generally been seen by the industry as a glittering opportunity, it has often been interpreted by consumers, unions, and

governments as a potential threat. Some have doubted that the savings from these systems would be passed on to consumers. Some have foreseen a loss of jobs. Some have anticipated the misuse of the personal information which might ultimately be captured by the scanner. Some have expected expensive EPOS technology to contribute to an unhealthy concentration of power in the grocery industry. Some have been worried that, with the move from a paper-based system to a computer-based one, retailers would be able to raise prices instantaneously and surreptitiously.[7] From the point of view of the grocery shopper, shocked by rising food prices and distrustful of the food industry, item pricing is essential. Consequently, the opposition has focussed on the issue of "packages without prices."

Since the early 1970's, the Consumers Association of Canada has been solidly opposed to the removal of item price markings in supermarkets. CAC's view is that the item price "constitutes an indispensable ingredient to the consumer's right to have all reasonable information in order to make an informed purchase choice."[8] Recognizing the efficiencies achieved overall by the computerized checkout system, CAC argues that the industry could realize substantial cost savings even if the practice of item price marking was retained. On several occasions beginning in the early 1970's, and most recently in the spring of 1980, CAC has passed resolutions stating its opposition to the removal of item prices and calling for legislation to this effect.

The Ontario Federation of Labour has voiced its opposition to the removal of item price, and has called for legislation protecting consumers.

It argues that the absence of item price marking makes comparison shopping and price verification at the checkout difficult. It has also expressed concern that automated checkouts will result in a reduction in the retail labour force. This position has been echoed by the Retail, Wholesale and Department Store Union, the Ontario Retail Council and the Retail Clerks Union.

In 1978 the Coalition of Organizations Concerned About Implications of Computerized Pricing (UPC), which consisted of the CAC, labour groups and interested women's and senior citizens' groups, prepared a position paper making these points:

(1) Since the item price marking is a vital element of the information consumers require to make sound purchase and budget decisions, the absence of this marking will result in a decline in price consciousness.

(2) Without item price markings, comparison shopping is difficult.

(3) Without item price markings, consumers will have to remember prices or mark them down themselves to verify the prices charged at the checkout.

(4) When packages have no prices the door will be open for more frequent, less visible price adjustments by supermarkets.

(5) Supermarkets make price adjustments to reflect the higher costs of new stock; when this is done centrally and electronically, the price of the old stock will also be raised.

(6) These problems are magnified by inflation and are felt with particular intensity by senior citizens.

The report concludes that the costs consumers are certain to suffer with the elimination of item price marking are greater than the cost to the industry of retaining this practice. The report also calls for government legislation to ensure that item price marking is continued.

Conflicting Perceptions[9]

One writer has observed that "A persistent condition underlying social conflict is the differing set of subjective assumptions and levels of awareness by which groups perceive the same objective set of circumstances."[10]

This point helps to explain the debate over electronic checkouts. On at least two points, the perceptions of industry and non-industry people are sufficiently at odds to substantially inhibit agreement on policy matters. The first has to do with "shelf discipline," that is, the maintenance of the price markings which appear on the shelf facings in a supermarket. Because there are so many ways for these signs to become missing or misaligned, keeping them adequate and accurate is a demanding task. And, because they are not needed by supermarket operators themselves, policing them is also an unrewarding task. For these reasons, shelf discipline in most grocery stores is lax. As a result, the common experience of grocery shoppers is that prices on shelf facings are absent or inaccurate.

Naturally, consumers extrapolate past experience into future expectations. More specifically, they assume that in stores where item prices are removed, shelf prices will continue to be inadequate, so that

in terms of price at the point of purchase the shopper will have to buy blind. Needless to say, for a public already disturbed about rising food prices, this prospect is ominous, even outrageous. Certainly this perception, plausible and widely shared, serves to stiffen opposition to electronic checkouts.

A similar obstacle is created by conflicting views concerning the likelihood that food chains will share the savings from scanning. For the grocery merchant, part of the perceived reality is that, compared to other retail outlets, supermarkets operate long hours, move large tonnages at high velocity, achieve low unit costs, take narrow markups, and produce net profits of only one or two pennies on a dollar of sales. These characteristics he takes to be incontrovertible evidence that food retailing is painfully competitive. From this, grocery retailers see it as inevitable and self-evident that the savings from EPOS will be passed on to shoppers. Could competitive retailers do otherwise?

For others, including many consumers, legislators, and academics, the reality is almost the opposite. Their observation is that the market share of large grocery distributors has been increasing, that most markets are dominated by only a few chains, and that in recent years food stores have been raising their prices with impunity. To outside observers, these facts bespeak not competition but monopoly. The public therefore sees it as likely that grocery chains will retain EPOS economies as monoply profits.

These are not all of the differences that have divided grocery shoppers from representatives of the industry. However, they illustrate how the involvement of outside observers can introduce perceptions at odds with management's own view of the situation.

FOOTNOTES

1. Much of this section is based on M.S. Moyer and B.L. Seitz, "The Marketing Implications of Automated Store Checkouts," The Business Quarterly (Spring, 1975), pp. 68-77.

2. Joseph S. Coyle, "Scanning Lights up a Dark World for Grocers," Fortune (March 27, 1978), pp. 76-80.

3. Robert L. Cottrell, "The Automated Checkout: A Key to Profitability for the Food Industry," an address to the annual convention of the Super Market Institute, in Dallas (May 7, 1973); Harold S. Ricker and Harry F. Krueckenberg, Computerized Checkout Systems for Retail Food Stores (Terre Haute, Indiana: School of Business, Indiana State University, 1971); "Scanning as a Productivity Booster; The Most Important Market Research Tool Ever," Progressive Grocer (December, 19-7), pp. 60-61; "Scanning Winning Public Acceptance," Chain Store Age (August, 1978), pp. 39-47; and Coyle, op. cit.

4. "Total Faith in Scanning Begins to Pay Off," Progressive Grocer (September, 1977), pp. 52-55.

5. "UPC Coding and Scanning 'A Consumerist Concern'" Canadian Grocer (December, 1975), p. 32.

6. Much of this section is based on Dagmar A. Stafl and Rudy Wall, Interim Report on Computerized Checkout Systems in Food Supermarkets in Ontario (Toronto: Ministry of Consumer and Commercial Relations, Province of Ontario, June 1980), pp. 15-18.

7. Walter L. Davis, "Packages Without Prices--An Electronic Threat," AFL-CIO American Federalist (January, 1976), pp. 20-23; EPOS Scanning: Why Supermarkets Are Hedging," Chain Store Age (February, 1976), pp. 57-67; Felix Kaufman, "Data Systems That Cross Company Boundaries," Harvard Business Review (January-February, 1966), p. 142; Thomas V. Sobczak, "The Universal Product Code: An Introduction to What It Means For Consumers," Computers and People (December, 1975), pp. 7-9; and Jim MacDonald, "Computerized Pricing," Canadian Labour (September, 1977), pp. 13-15.

8. Stafl and Wall, op. cit., p. 15.

9. This section is taken from Mel. S. Moyer, "Public Participation in Making Marketing Policies: A Canadian Experiment," The Business Quarterly, (Winter, 1979), pp. 67-68.

10. Hazel Henderson, "Toward Managing Social Conflict," Harvard Business Review (May-June, 1971), p. 84.

XI. Appendix C

RECENTLY ENACTED CALIFORNIA LEGISLATION

Assembly Bill No. 65

CHAPTER 224

An act to repeal Chapter 13 (commencing with Section 13300) of Division 5 of the Business and Professions Code, and to add Part 8 (commencing with Section 7100) to Division 4 of the Civil Code, relating to pricing consumer commodities.

[Approved by Governor July 19, 1951. Filed with Secretary of State July 20, 1951.]

LEGISLATIVE COUNSEL'S DIGEST

AB 65, Rosenthal. Pricing consumer commodities.

Under existing law pursuant to provisions of the Business and Professions Code, a grocery store or grocery department which uses an automatic checkout system and which sells consumer commodities at retail is required, from January 1, 1978, until January 1, 1980, to have a clearly readable price indicated on each consumer commodity offered for sale. "Automatic checkout system" is defined as a computer capable of reading the universal product code or similar code to determine the price of items being purchased.

This bill would repeal the provisions of the Business and Professions Code relating to automatic checkout systems and would reinstate these requirements in the Civil Code, to be effective for an indefinite period of time, with specified changes relative to the consumer commodities subject to item pricing and the giving of notice concerning these items to the public and employees. "Automatic checkout system" would be redefined as a computer capable of interpreting the universal product code or any other code which is on an item offered for sale to determine the price of items purchased, regardless of whether the code entry is accomplished manually by a human or automatically by a machine.

The bill would state the intention of the Legislature to preempt all local ordinances, rules, or regulations concerning item pricing.

The people of the State of California do enact as follows:

SECTION 1. Chapter 13 (commencing with Section 13300) of Division 5 of the Business and Professions Code is repealed.

SEC. 2. Part 8 (commencing with Section 7100) is added to Division 4 of the Civil Code, to read:

PART 8. AUTOMATIC CHECKOUT SYSTEM

7100. (a) Every retail grocery store or grocery department within a general retail merchandise store which uses an automatic checkout system shall cause to have a clearly readable price

indicated on 85 percent of the total number of packaged consumer commodities offered for sale which are not exempt pursuant to subdivision (b).

The management of any such retail grocery store or grocery department shall determine the number of consumer commodities normally offered for sale on a daily basis, shall determine the consumer commodities to be exempted pursuant to this subdivision, and shall maintain a list of those consumer commodities exempted pursuant to this subdivision. The list shall be made available to a designated representative of the appropriate local union, the members of which are responsible for item pricing, in those stores or departments that have collective bargaining agreements, seven days prior to an item or items being exempted pursuant to this subdivision. In addition, the list shall be available and posted in a prominent place in the store seven days prior to an item or items being exempted pursuant to this subdivision.

(b) The provisions of this section shall not apply to any of the following:

(1) Any consumer commodity which was not generally item-priced on January 1, 1977, as determined by the Department of Food and Agriculture pursuant to subdivision (c) of Section 12604.5 of the Business and Professions Code, as in effect July 8, 1977.

(2) Any unpackaged fresh food produce, or to consumer commodities which are under three cubic inches in size, weigh less than three ounces, and are priced under forty cents ($0.40).

(3) Any consumer commodity offered as a sale item or as a special.

(4) Any business which has as its only regular employees the owner thereof, or the parent, spouse, or child of such owner, or, in addition thereto, not more than two other regular employees.

(5) Identical items within a multi-item package.

(6) Items sold through a vending machine.

(c) For the purposes of this section:

(1) "Automatic checkout system" means a computer capable of interpreting the universal product code or any other code which is on an item offered for sale to determine the price of items being purchased, regardless of whether the code entry is accomplished manually by a human or automatically by a machine.

(2) "Consumer commodity" includes:

(A) Food, including all material whether solid, liquid, or mixed, and whether simple or compound, which is used or intended for consumption by human beings or domestic animals normally kept as household pets, and all substances or ingredients added to any such material for any purpose. This definition shall not apply to individual packages of cigarettes or individual cigars.

(B) Napkins, facial tissues, toilet tissues, foil wrapping, plastic wrapping, paper toweling, and disposable plates and cups.

(C) Detergents, soaps, and other cleaning agents.

(D) Pharmaceuticals, including nonprescription drugs, bandages,

female hygiene products, and toiletries.

(3) "Grocery department" means an area within a general retail merchandise store which is engaged primarily in the retail sale of packaged food, rather than food prepared for immediate consumption on or off the premises.

(4) "Grocery store" means a store engaged primarily in the retail sale of packaged food, rather than food prepared for consumption on the premises.

(5) "Sale item or special" means any consumer commodity offered in good faith for a period of 14 days or less, on sale at a price below the normal price that item is usually sold for in that store. The Department of Food and Agriculture shall determine the normal length of a sale held for consumer commodities generally item priced on January 1, 1977, in stores regulated pursuant to this chapter, and that period shall be used for the purposes of this subdivision. The department's determination as to the normal length of a sale shall be binding for the purposes of this section, but each such determination shall not exceed seven days.

7101. (a) The intentional violation of Section 7100 is punishable by a civil penalty of not less than twenty-five dollars ($25) nor more than five hundred dollars ($500).

(b) Failure to have a clearly readable price indicated on 12 units of the same item required to be item-priced of the same commodity shall constitute a presumption of intent to violate Section 7100.

(c) Every additional 12 units of the same item required to be item-priced that fail to have a price indicated on them shall constitute a presumption of intent to violate Section 7100.

(d) Each day that a violation continues shall also constitute a separate violation after notification thereof to the manager or assistant manager of the retail grocery store or the grocery department of the general retail merchandise store and shall constitute a presumption of intent to violate Section 7100.

(e) Notwithstanding any other provision of law, any person may bring an action to enjoin a violation of Section 7100.

7102. Any person, firm, corporation, or association who violates Sections 7100 and 7101 shall be liable to any person injured for any losses and expenses thereby incurred, and for the sum of fifty dollars ($50) in addition thereto. The remedy set forth herein is applicable only to actions brought in the name of, and on behalf of, a single plaintiff and shall not be applicable in multiple plaintiff or class actions.

7103. Improper pricing on the shelf or on the item due to unintentional error shall not constitute a violation of this division.

7104. The remedies set forth in Sections 7101 and 7102 are the exclusive remedies available to any person, state or local agency or law enforcement official.

7105. This part shall be known and may be cited as the Rosenthal-Roberti Item Pricing Act.

7106. It is the intention of the Legislature that this part shall occupy the field with regard to item pricing and shall preempt all local ordinances, rules, or regulations concerning item pricing.

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POOR

QUALITY

ORIGINAL